

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSC-01 CPR-01 CIAE-00 DODE-00 PM-05  
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FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC PRIORITY 4115

C O N F I D E N T I A L BOGOTA 9286

E.O. 11652: GDS  
TAGS: PGOV, CO  
SUBJECT: LOPEZ RESHUFFLES CABINET

1. SUMMARY. THE APPOINTMENT OF FOUR NEW CABINET MINISTERS ON OCTOBER 4M AY FORESHADOW A CONTROLLED LOOSENING OF GOVERNMENT PURSE STRINGS DURING THIS ADMINISTRATION'S CLOSING MONTHS AND THE PRE-ELECTORAL PERIOD. A PEPPERY LETTER OF RESIGNATION BY EX-FINANCE MINISTER ESPINOSA ALLUDED TO DIFFERENCES BETWEEN HIM AND PRESIDENT LOPEZ AND TO AN EARLIER INTENTION BY LOPEZ TO RESIGN. END SUMMARY.

2. PRESIDENT LOPEZ ON OCTOBER 4 NAMED FOUR NEW MINISTERS, POSSIBLY COMPLETING THE CABINET RESHUFFLE WHICH HAS BEEN RUMORED FOR THE PAST WEEK. THE NEW APPOINTMENTS ARE MINISTER OF GOVERNMENT ALFREDO ARAUJO GRAU, CONSERVATIVE SENATOR; FINANCE MINISTER ALFONSO PALACIO RUDAS, LIBERAL, FORMER MAYOR OF BOGOTA; MINISTER OF MINES AND ENERGY EDUARDO GAITAN DURAN, LIBERAL, FORMER DIRECTOR OF THE NATIONAL APPRENTICESHIP SERVICE (SENA); AND AGRICULTURE MINISTER JOAQUIN VANIN TELLO, CONSERVATIVE, FORMER DIRECTOR OF THE AGRARIAN REFORM INSTITUTE (INCORA).

3. ALMOST RIVALLING INTERST IN THE NEW APPOINTMENTS WAS THAT AWAKENED BY THE ACERBIC AND LENGHTY LETTER OF RESIGNATION BY  
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OUTGOING FINANCE MINISTER ESPINOSA, PUBLISHED BY OCTOBER 4 BOGOTA DAILIES, IN WHICH ESPINOSA DEFENDED HIS POLICIES' SUCCESS IN HALTING INFLATION WITHOUT PROVOKING UNEMPLOYMENT AND RECESSION. THE LETTER REFERS TO LOPEZ' INTENTION, APPARENTLY EXPRESSED PRIVATELY TO ESPINOSA, TO CHANGE THE THRUST OF THOSE POLICIES, WHICH ACCORDING TO ESPINOSA WOULD LEAD TO "ERRORS AND FAILURES". ESPINOSA ALSO ALLUDES TO "DIFFERENCES IN VIEWS ON THE POLITICAL

SITUATION," WHICH LOPEZ APPARENTLY TOLD ESPINOSA EXSISTED BETWEEN THE TWO,AND WHICH ESPINOSA IN HIS LETTER STATES WERE MERELY DIFFERENCES OF SHADING. ESPINOSA ALSO CLAIMS THAT IT WAS HIS PRIVATE OPINION THAT A MINIMUM WAGE INCREASE SHOULD HAVE BEEN DECREED BUT THAT THE GOVERNMENT AS A WHOLE OPPOSED IT. THE LETTER ENDS BY REFERRING TO AN OCCASION, "A FEW MONTHS AGO," WHEN ESPINOSA SAYS HE WITHDREW HIS RESIGNATION IN ORDER TO DISCOURAGE PRESIDENT LOPEZ FROM PRESENTING HIS. PRESIDENT LOPEZ' CUSTOMARY LETTER OF REPLY IS STILL TO COME.

4. COMMENT: THE NEW APPOINTMENTS SIGNIFY A REPLACEMENT OF MOST OF PRESIDENT LOPEZ' MINISTERIAL ECONOMIC TEAM. THIS, TOGETHER WITH ESPINOSA'S ALLUSION TO LOPEZ' INTENTION TO CHANGE ECONOMIC POLICIES, MAY WELL FORESHADOW A CONTROLLED RELAXATION OF THE HARD, ANTI-INFLATIONARY LINE APPARENTLY ESPOUSED BY ESPINOSA, AND WHICH HAS PROVOKED THE UNITED OPPOSITION OF THE LABOR CONFEDERATIONS THAT CULMINATED IN THE SEPTEMBER 14 GENERAL STRIKE. EMBASSY SOURCE BELIEVE THE GOVERNMENT WILL SOON DECREE A THIRTY PERCENT MINIMUM WAGE INCREASE. ESPINOSA'S ILL-HUMORED DEPARTURE FROM THE CABINET PROBABLY HERALDS THE APPEARANCE OF A NEW GOVERNMENT CRITIC, ONE WHO IS ARTICULATE, KNOWLEDGEABLE AND PLACED TO DO MAXIMUM HARM. ESPINOSA, BEFORE HIS APPOINTMENT AS MINISTER, WAS A REGULAR CONTRIBUTOR TO AND IS AN IMPORTANT STOCKHOLDER OF THE PRESTIGIOUS WL TIEMPO.

5. THE CHANGES, IN THEMSELVES, MAY WELL HAVE STRENGHTENED THE CONFIDENTIAL

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CABINET ON BALANCE. DEPARTING MINES AND ENERGY MINISTER URRUTIA HAD NO POLITICAL BASE, WHILE HIS SUCCESSOR, EDUARDO GAITAN, HAS A CONSIDERABLE LIBERAL FOLLOWING. THE CAPABLE BUT ABRASIVE ESPINOSA, A MIXED BLESSING, HAS BEEN REPLACED BY THE STEADIER AND WELL LIKED PALACIO RUDAS. THE ADHESION OF THE TWO CONSERVATIVES GUARANTEES TO THE GOVERNMENT THE CONTINUED COOPERATION AND SUPPORT OF THE ALVARO GOMEZ WING OF THE CONSERVATIVE PARTY.

6. THE EMBASSY WILL SUBMIT FURTHER ANALYSIS OF THE SIGNIFICANCE OF THE RESHUFFLE AS WELL AS APPROPRIATE BIOS.  
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## Message Attributes

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**Review Markings:**  
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